

# *Why Should You Buy Local?*

What's your favorite vintage clothing store? Where's your favorite coffee shop? Where do you buy unique gifts? When asked these questions, it forces you to reflect on who you are and what you value in a business. Many people, especially in our vibrant Austin community, would likely choose a local business to answer these questions. But why would they?

Local First Utah, a non-profit independent business alliance, states, "Local, independently owned businesses are the heart and soul of any community. These are the stores in our neighborhoods; their owners are our friends and neighbors. More often than not, it is the knowledgeable service and attention to your needs that you value and respect in local businesses." Their Web site also states, "Their products and services support and sustain the needs of our residents, and they play a vital role in our social networks. In fact, local businesses mirror who we are and what we value as a community. They help to create a sense of place."<sup>1</sup>

For many years, there was a lack of quantifiable information on the differences for local economies as people chose to shop at national chains versus a local business. The preeminent study on Austin's local business was completed in

2002 by Civic Economics (CivEc) for LiveableCity Austin and the Austin Independent Business Alliance. It presented three essential facts as its principal findings. The first is that, "Local merchants generate substantially greater economic impact than chain retailers." This is because they spend a much larger portion of total revenue on local labor to run the enterprise and sell the merchandise, they keep their modest profits in the local economy, and they provide strong support for local artists and authors, creating further local economic impact. Secondly, the report states, "Development of urban sites with directly competitive chain merchants will reduce the overall vigor of the local economy."

The third fact is that, "Modest changes in consumer spending habits can generate substantial local economic impact." The authors found that, "for every \$100 in consumer spending at Borders, the total local economic impact is only \$13 (See graph above). The same amount spent with a local merchant yields more than three times the local economic impact."<sup>2</sup> This paper will explore these findings and others in more detail below.



## **Local economies are affected by how businesses are run.**

Local businesses are known to use local services for the variety of tasks associated with starting and running a business. "Three nationally known authorities" based in Austin reviewed a 2004 "Big Box Retail and Austin" report and the authors stated that, "Professional services such as law, accounting, advertising, and banking are generally provided locally for local merchants. By contrast, national big box retailers generally procure these services in the

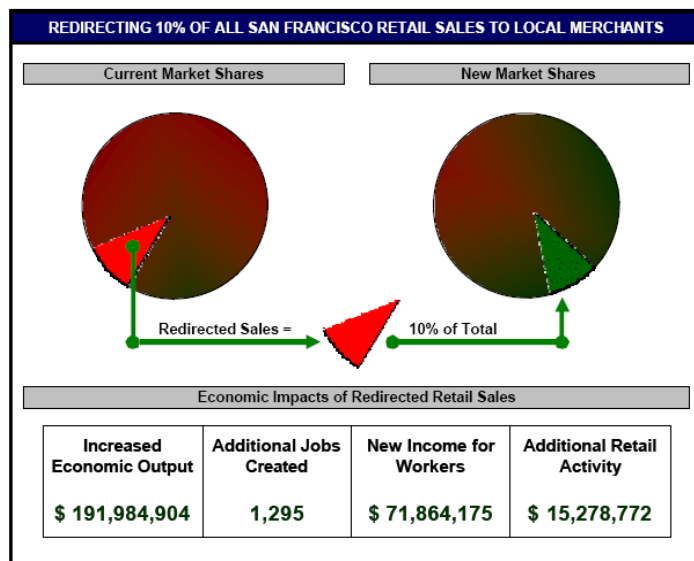
headquarters community or in the national market.”<sup>3</sup> Local businesses typically understand the positive community aspects of ‘buying local,’ so they tend to buy their services from other local businesses. Also, most local businesses hire local employees and pay them relatively higher wages than chains. Although they may be hard to measure, there are many effects on a community’s quality of life and on a city’s responsibility to provide social services when a national retailer arrives with mostly low-wage positions available to the local workforce.

### Do national chains sell more products for less money?

The 2002 CivEc study focused primarily on what the effects of adding a national retail bookstore, Borders, would do to the area of Sixth Street and Lamar Boulevard. Defining Borders as primarily selling books and music, the study found that prices of books were standardized in the industry and that BookPeople, a local bookstore, had the same prices in a sample. For music, it was harder for the authors to compare Borders to the locally-owned Waterloo Records because Waterloo carried such a diverse selection of top hits and “obscure local bands.” Although prices varied among titles, the overall basket of goods cost essentially the same amount and pointed towards the fact that an individual shopping only at a national chain, “may remain unaware of many artists and authors outside the mainstream” of popular culture.<sup>4</sup> The study continued by stating, “local bookstores and record stores are often the sole outlets for retail sales of books and recordings by local authors and artists. Particularly for authors and artists with selfpublished (sic) works, such as local bands selling music on consignment, the bulk of sales receipts remain local. National chain stores stock few such items.”<sup>5</sup>

### Effects of shopping at local businesses

The 2002 CivEc study, using commonly recognized multipliers, demonstrates how our



spending habits may directly affect our local economy. By spending \$100 at a chain, our local economy gets only \$13 in return, of which about \$9 is for employee salaries. However, spending at a local business provides almost three times that amount in return for our local economy, as they are paying relatively higher wages, hiring local firms to accomplish daily business functions, and keeping more of the owner’s profits in the community.<sup>6</sup>

Since 2002, CivEc has completed a few follow-up studies for different cities around the nation, and the results have continued to support the benefits of shopping locally. A 2007

study completed for San Francisco found shifting 10% of consumer behavior from chains to local businesses would increase economic output by more than 190 million and create almost 1,300 jobs. (See chart above.)<sup>7</sup> Some readers may see the connection for a vibrant, diverse community, but for those who do not, consider the following. A 2008 study of Kent County, Michigan found that a 10% shift in community spending from chains to local businesses would

create an additional 1600 jobs and \$53 million in wages. The benefits would also extend to many industries, not just retail businesses as business services and products were procured.<sup>8</sup>

## Conclusion

Why should you shop locally this holiday season and beyond? Local businesses are a reflection of your community's values, providing you with services that you want and doing so in a more customer-friendly manner. The money you spend also stays closer to home, as the local business probably pays relatively higher wages to their employees and the business owner is able to spend his/her profits on products and services from other local businesses. Austin is a city whose residents truly value diversity; a value that is on display in the wonderful local businesses located within the city that offer unique products and services. For Austin residents and visitors, there are many good reasons to shop locally in order to invest in the city and community's continued economic prosperity.

### THE BUY LOCAL BALTIMORE CAMPAIGN TOP 10 REASONS TO BUY LOCAL

1. Keep money in the neighborhood
2. Embrace what makes us different  
Baltimore is a city of neighborhoods.
3. Get better service
4. Buy what you want, not what someone wants you to buy
5. Create more good jobs
6. Help out the environment
7. Support community groups
8. Invest in the community
9. Put your taxes to good use
10. Show the country we believe in Baltimore

Article written by Lewis Leff, December 16, 2008

---

<sup>1</sup> Local First Utah, [http://www.localfirst.org/index.php?option=com\\_content&task=view&id=12&Itemid=47](http://www.localfirst.org/index.php?option=com_content&task=view&id=12&Itemid=47), accessed December 3, 2008.

<sup>2</sup> "Economic Impact Analysis: Local Merchants vs. Chain Retailers" Civic Economics, p 3-4.

<sup>3</sup> "Big Box Retail and Austin: An Independent Review;" Oct 2004; Houston, Dan, Dr. Michael Oden, Dr. Bill Spelman, p. 1, 14.

<sup>4</sup> Economic Impact Analysis, p. 13.

<sup>5</sup> Economic Impact Analysis, p. 6.

<sup>6</sup> Economic Impact Analysis, p. 14.

<sup>7</sup> "The San Francisco Retail Diversity Study: Executive Summary," 2007, Civic Economics, p. 2.

<sup>8</sup> "Examining the Impact of Local Business on the W. Michigan Economy," 2008, Civic Economics, p. 7.